



U.S. Department of the Interior
Office of Inspector General

SURVEY REPORT

**UTAH RECLAMATION MITIGATION AND
CONSERVATION COMMISSION**

**REPORT NO. 96-I-1141
AUGUST 1996**



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

SEP - 5 1996

MEMORANDUM

TO: The Secretary

FROM: Wilma A. Lewis
Inspector General

SUBJECT SUMMARY: Final Survey Report for Your Information - "Utah Reclamation Mitigation and Conservation Commission" (No. 96-I-1141)

Attached for your information is a copy of the subject final survey report. The objective of our review was to determine whether the Utah Reclamation Mitigation and Conservation Commission was created in accordance with the Reclamation Projects Authorization and Adjustment Act of 1992 (Public Law 102-575) and was in compliance with provisions for the receipt and expenditure of funds established by the Act.

We found that the Commission was generally established in accordance with the Act. Based on our review of the findings reported by the Commission's contracted certified public accountant in a June 1995 audit report, we concluded that: (1) the Commission did not establish adequate financial and administrative policies and procedures and (2) the Commission's accounting records of the receipt and expenditure of funds for fiscal years 1994 and 1995 were not auditable. As a result, we could not determine whether administrative and mitigation funds were expended in accordance with the Act. We also found, however, that the Commission was actively pursuing the necessary corrective actions to implement sound administrative and financial management systems in response to the certified public accountant's report. Our report contained no recommendations.

If you have any questions concerning this matter, please contact me or Mr. Robert J. Williams, Acting Assistant Inspector General for Audits, at (202) 208-5745.

Attachment



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

AUG 27 1996

SURVEY REPORT

Mr. Don Christiansen, Chairman
Utah Reclamation Mitigation and
Conservation Commission
111 East Broadway, Suite 310
Salt Lake City, Utah 84111

Subject: Final Survey Report on the Utah Reclamation Mitigation and
Conservation Commission (No. 96-I-1141)

Dear Mr. Chairman:

This report presents the results of our survey of activities of the Utah Reclamation Mitigation and Conservation Commission for fiscal years 1994 and 1995. The objective of the audit was to determine whether the Commission was created in accordance with the Reclamation Projects Authorization and Adjustment Act of 1992 (Public Law 102-575) and was in compliance with requirements for the receipt and expenditure of funds established by the Act. We performed the audit based on Title IV, Section 402(e) of the Act, which states that the Commission's financial management of the Utah Reclamation Mitigation and Conservation Account "shall be subject to audit by the Inspector General of the Department of the Interior."

BACKGROUND

The Utah Reclamation Mitigation and Conservation Commission was authorized by Section 301(a) of the Act to coordinate implementation of the Act's required mitigation and conservation activities for the Central Utah Project among the Federal and State of Utah fish, wildlife, and recreation agencies. Section 301(f) of the Act states:

The Commission shall administer the mitigation and conservation funds available under this Act to conserve, mitigate, and enhance fish, wildlife, and recreation resources affected by the development and operation of Federal reclamation projects in the State of Utah.

The Act (Section 301(b)(2)) also states, "The Commission shall expire twenty years from the end of the fiscal year during which the Secretary declares the Central Utah Project to be substantially complete." The Act (Sections 401(b) and 402(d)) specifies that upon expiration of the Commission, the Utah Division of Wildlife Resources will

assume responsibilities for mitigation and conservation projects identified in the Act and projects of the Colorado River Storage Project in the State of Utah.

The Act (Section 402) established the Utah Reclamation Mitigation and Conservation Account in the U.S. Treasury and identified contributions from Federal, State, and Project beneficiaries to be deposited into the account. The Act (Section 402) further specified that the Federal Government, the State of Utah, and the Central Utah Water Conservancy District, which represents Project beneficiaries, will contribute annually no less than \$10 million, \$3 million, and \$750,000, respectively, until the year 2001 or until the Project is declared substantially complete. The sources and uses of Commission funds for fiscal years 1994 and 1995, as derived from the unaudited amounts reported in the audit report on Commission management practices issued in June 1995 (see Prior Audit Coverage section), are detailed in Appendix 2.

SCOPE OF SURVEY

The scope of our survey included a review of Commission activities for fiscal years 1994 and 1995. We reviewed records and correspondence, public laws, and legal opinions pertaining to the creation and operation of the Commission. We also interviewed officials responsible for administering and evaluating Commission activities, which included personnel from the Commission, the Bureau of Reclamation's administrative support and ethics groups, the Central Utah Project Completion Act Office, and the Commission's accounting firm. During our survey, we found that auditable financial information on the results of the Commission's operations for fiscal years 1994 and 1995 was not available. We also found that the Commission had obtained an audit of its management practices for the period July 1994 through February 1995. Accordingly, we limited the scope of our proposed audit of the Commission's financial records to confirming the findings in the June 1995 audit report and determining the status of any corrective actions.

Our survey was performed from November 1995 through February 1996 at the offices listed in Appendix 1. The review was made, as applicable, in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that were considered necessary under the circumstances. Because sufficient financial and administrative controls were not established, as identified in the audit report on the Commission's management practices, we did not review the system of internal controls.

PRIOR AUDIT COVERAGE

Neither the Office of Inspector General nor the General Accounting Office has issued any reports on activities of the Commission. However, in February 1995, the Commission contracted with a certified public accounting firm to conduct an audit of the Commission's management practices that occurred from July 1994 to February 1995. On June 6, 1995, the firm issued its report, which questioned financial decisions and actions taken by Commission members and staff. As stated in the report, these decisions and actions included: (1) unreasonable compensation paid to Commissioners; (2) requests for payment of duplicate expenses; (3) claims for expenses incurred prior to employment; (4) claims for mileage to and from personal residences; (5) personal use of Commission equipment and of the Government-issued credit card; (6) noncompliance with Federal procurement regulations and guidelines; and (7) the inappropriate consideration of mitigation and conservation projects that were not identified in the authorizing legislation. We confirmed that some of the financial decisions and actions taken by the Commission members and staff were questionable. We subsequently requested that the Bureau of Reclamation review these matters and provide a response to our office.

The report also stated that the Commission did not adequately document significant actions and decisions in minutes of meetings; retain copies of source documentation for purchase requisitions, time sheets, expense claims, and invoices; establish and use administrative budgets or comprehensive formal financial reports; and establish a formal policy on what constitutes a quorum majority for Commission decisions or conflicts of interest for Commissioners and staff. In addition, the report noted that the Commission was still in the process of establishing rules, hiring staff, developing a 5-year mitigation plan and project proposal process, formulating administrative budgets, and designing internal administrative and accounting control systems. Some of the questionable decisions and actions taken by the Commission were attributable to the initial three Commissioners' lack of Federal administrative experience. Specifically, the report noted:

They [the Commissioners] lacked Federal executive branch administrative experience and encountered some frustration in the process of learning how a Federal commission works and defining how this Commission should operate. . . . Since the Commission was new, there was some question as to which laws and regulations applied to the Commission and how to interpret some of the provisions of the Act.

The report made two recommendations to improve the Commission's accountability and compliance with applicable laws and regulations and to establish and maintain effective controls. In September 1995, the Commission accepted the report's findings and recommendations and said that it planned to correct the reported weaknesses. During our survey, we found that the Commission was in the process of establishing

basic operating policies and procedures to ensure compliance with applicable laws and regulations.

RESULTS OF SURVEY

Overall, we found that the Commission was generally established in accordance with the Reclamation Projects Authorization and Adjustment Act of 1992. We also confirmed that the Commission did not establish adequate financial and administrative policies and procedures. As a result, the Commission's accounting records of the receipt and expenditure of funds for fiscal years 1994 and 1995 were not auditable, and we could not determine whether administrative and mitigation funds were expended in accordance with the Act. We found, however, that the Commission was actively pursuing the necessary corrective actions to implement sound administrative and financial management systems in response to the findings and recommendations in the June 1995 audit report.

Commission Creation

We found that the Commission was generally established in accordance with the Reclamation Projects Authorization and Adjustment Act of 1992 except that the appointment of the Commissioners did not occur until 1994. According to Section 301(d) of the Act, the Commission was to be composed of 5 members selected from representative state and local entities and appointed by the President to serve 4-year terms. Sections 301(e), 301(f), and 301(h) of the Act authorized the Commission to appoint a Director and staff, establish an office of operations, and enter into contracts and agreements with universities, nonprofit organizations, and other agencies to implement mitigation and conservation projects and features authorized in the Act.

There are currently five appointed Commissioners. In July 1994, the first three Commissioners were appointed, of which one was elected as the Chairman and another was appointed as Acting Executive Director. The Commissioners, in establishing an office, hired two administrative staff members; contracted for legal services; leased commercial space; and purchased office furniture, equipment, and supplies. In November 1994, two additional Commissioners were appointed, one of which was elected Chairman in June 1995. Also, in June 1995, one of the initial Commissioners resigned because of health reasons. A fifth Commissioner was appointed on February 1, 1996.

In February 1995, the Acting Executive Director was succeeded by an Executive Director hired by the Commission. The Commission hired additional administrative staff and entered into contracts and agreements with organizations and agencies to implement mitigation and conservation projects and features authorized in the Act,

Financial Operations

Based on our review of the findings reported in the certified public accountant's June 1995 audit report on Commission management practices (see Prior Audit Coverage section), we concluded that the Commission's accounting records for fiscal years 1994 and 1995 were not auditable. In addition, we could not determine whether expenditures for administration and mitigation activities during this period were made in accordance with the Reclamation Projects Authorization and Adjustment Act of 1992. The report identified financial and administrative deficiencies, including decisions and actions by the Commissioners and a former staff member that were questionable or not in accordance with applicable laws and regulations. We found that the Commission had not completed the establishment of basic operating policies and procedures. However, we found that the Commission was continuing its efforts to correct reported deficiencies by contracting for financial management and accounting services in November 1995 as a follow-on to the June 1995 audit report on management practices. The accounting firm, which expected to complete these services by July 1996, was taking the following actions:

- Reviewing fiscal accounting, budget, project contracting, and investment procedures and making recommendations as to the adequacy of the existing services and systems.
- Determining the accuracy, adequacy, and usability of accounting and/or financial information provided by the Bureau and making recommendations that pertained to interfacing with the Bureau's system and/or performing tasks independently.
- Preparing financial statements for fiscal years 1994 and 1995 and assisting in establishing property and record-keeping procedures and in completing an inventory of equipment managed by the Commission.

The accounting firm also plans to prepare the Commission's financial statements for the fiscal year ending September 30, 1996.

On June 3 and July 15, 1996, the Commission's Executive Director provided comments to the draft of this report and information concerning actions taken by the Commission to implement sound administrative and financial management systems. These actions include the following: adopting a 5-year Mitigation and Conservation Plan; establishing operating procedures; and establishing policies and procedures regarding compliance with appropriate laws and regulations, including implementation of the National Environmental Policy Act of 1969, as amended. In addition, the Commission's accounting firm issued a financial report on May 31, 1996, that presented the results of the firm's review of the Commission's statements of financial position and related statements of operations and changes in net

financial position for the years ended September 30, 1994, and 1995. The report on the review stated, "We are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the Federal financial accounting standards."

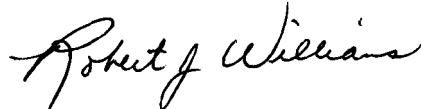
We do not plan any additional audit work until the Commission's accounting firm has completed its remaining work and the Commission has had sufficient time to complete implementation of financial and administrative policies and procedures.

The legislation, as amended, creating the Office of Inspector General requires semiannual reporting to the Congress on all audit reports issued, actions taken to implement audit recommendations, and identification of each significant recommendation on which corrective action has not been taken.

Since this report does not contain any recommendations, a response is not required. However, if you have any questions regarding this report, please contact me at (202) 208-4252.

We appreciate the courtesies and cooperation extended to our staff during the course of our survey.

Sincerely,

A handwritten signature in black ink, reading "Robert J. Williams". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Robert J. Williams
Acting Assistant Inspector General
for Audits

cc: Executive Director, Utah Reclamation Mitigation and
Conservation Commission
Program Director, Central Utah Project Completion Act Office
Regional Director, Upper Colorado Region

OFFICES VISITED

<u>Office</u>	<u>Location</u>
Utah Reclamation Mitigation and Conservation Commission	Salt Lake City, Utah
Bureau of Reclamation, Upper Colorado Region	Salt Lake City, Utah
Department of the Interior, Central Utah Project Completion Act Office	Provo, Utah
Hansen, Barnett, & Maxwell, Certified Public Accountants	Salt Lake City, Utah
Squire & Company, PC, Certified Public Accountants	Orem, Utah

**SOURCES AND USES OF UTAH RECLAMATION
MITIGATION AND CONSERVATION COMMISSION FUNDS FOR
FISCAL YEARS 1994 AND 1995¹**

<u>Source</u>	<u>Fiscal Year</u> <u>1994</u>	<u>Fiscal Year</u> <u>1995</u>	<u>Totals</u>
Department of the Interior	\$9,850,000	\$16,133,000	\$25,983,000
State of Utah	3,000,000	3,000,000	6,000,000
Department of Energy (Western Area Power Administration) ²	5,000,000	5,135,000	10,135,000
Central Utah Water Conservancy District ²	750,000	772,500	1,522,500
Interest on Investments (Treasury Notes) ³	184,000	768,500	952,500
Totals	<u>\$18,784,000</u>	<u>\$25,809,000</u>	<u>\$44,593,000</u>
 <u>Uses</u>			
Commission Administrative Expenses ²	\$392,000	\$1,029,000	\$1,421,000
Transfers Required by P.L. 102-575 ⁴	145,500	334,000	479,500
Available for Mitigation and Conservation Projects ⁷	4,562,500	10,799,000	15,361,500
Invested ³	<u>13,684,000</u>	<u>13,647,000</u>	<u>27,331,000</u>
Totals	<u>\$18,784,000</u>	<u>\$25,809,000</u>	<u>\$44,593,000</u>

¹Sources and uses of funds derived from unaudited amounts reported in the June 1995 audit report on Commission management practices.

²Sections 402(b)(3)(C) and 301(i)(2) of Public Law 102-575 state that the annual contributions and Commission administrative expenses "shall be increased proportionally on March 1 of each year by the same percentage increase during the previous calendar year in the Consumer Price Index for urban consumers, published by the Department of Labor."

³Section 402(c) states, "All funds deposited as principal in the Account shall earn interest in the amount determined by the Secretary of the Treasury on the basis of the current average market yield on outstanding marketable obligations of the United States of comparable maturities."

⁴Section 314(c) of the Act authorizes the transfer of 3 percent of the funds available for implementation of mitigation and conservation projects to the Secretary of the Interior for use on projects outside the State of Utah.

⁷Interagency agreements and contracts with Federal, state, local, and nonprofit environmental organizations.

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1550 Wilson Boulevard

Suite 402

Arlington, Virginia 22210

